

**NETACTIVE INC.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT the annual meeting of the shareholders of NETACTIVE INC. (the "Corporation") will be held on Thursday, June 21, 2001 at 3:00 p.m. (Ottawa time) at the offices of NetActive, 120 Colonnade Road, Nepean, ON, K2E 7J5 for the following purposes:

- (a) to receive the consolidated financial statements of the Corporation for the financial year ended December 31, 2000, together with the report of the auditors thereon;
- (b) to elect directors;
- (c) to appoint auditors and to authorize the directors to fix the auditors' remuneration; and
- (d) to transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

A copy of the Management Proxy Circular and a form of Proxy accompanies this Notice.

DATED at Ottawa, Ontario this 18<sup>th</sup> day of May 2001.

By Order of the Board of Directors

**James P. Thielen**  
President and Chief Executive Officer – Interim  
Executive Vice President and Chief Operating Officer

Shareholders who are unable to attend the annual meeting in person are requested to date and sign the enclosed form of proxy and return it by mail in the enclosed envelope or by hand/courier to the Secretary of the Corporation at 120 Colonnade Road, Nepean, ON, K2E 7J5, or by fax to (613) 723-1997, no later than 5:00 p.m., Ottawa time, Tuesday, June 19, 2001. In order to be represented by proxy, you must complete and submit the enclosed form of proxy or other appropriate form of proxy.

NETACTIVE INC.

MANAGEMENT PROXY CIRCULAR

**SOLICITATION OF PROXIES**

**This Management Proxy Circular is furnished in connection with the solicitation by the management of NETACTIVE INC. (the "Corporation") of proxies to be used at the annual meeting of shareholders of the Corporation to be held on June 21, 2001 at 3:00 p.m. (Ottawa time) at the offices of NetActive, 120 Colonnade Road, Nepean, ON, K2E 7J5, for the purposes set forth in the enclosed Notice of Meeting. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally by employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.**

**APPOINTMENT OF PROXYHOLDERS AND REVOCATION OF PROXIES**

A vote at all meetings of shareholders of the Corporation may be given in person or by proxy whether or not the proxyholder is a shareholder. The persons named in the form of proxy enclosed with this Management Proxy Circular are officers of the Corporation. A shareholder desiring to appoint some other person to represent him at the meeting may do so, either by inserting such person's name in the blank space provided in the appropriate form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy by mail in the enclosed envelope or by hand/courier to the Secretary of the Corporation at 120 Colonnade Road, Nepean, ON, K2E 7J5, or by fax to (613) 723-1997, no later than 5:00 p.m., Ottawa time, Tuesday, June 19, 2001.

**The officers named in the form of proxy will vote the shares of the Corporation in which they are appointed proxy holders in accordance with the directions of the shareholder appointing them. In the absence of such direction, such shares will be voted FOR the election of directors and FOR the appointment of auditors. The form of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting and other matters which may properly come before the meeting. At the date hereof, management of the Corporation is not aware of any other matters to come before the meeting. Any amendment, variation or other matter which is not known to the management which may properly come before the meeting, will be voted upon by the proxies hereby solicited in accordance with the best judgment of the person or persons voting such proxies. The shares represented by the proxy will be voted on any ballot that may be called for (unless the shareholder has directed otherwise).**

A proxy given pursuant to this solicitation may be revoked pursuant to Section 148(4) of the *Canada Business Corporations Act* (1) by instrument in writing, executed by the shareholder or by the shareholder's attorney authorized in writing and deposited at the registered office of the Corporation at 120 Colonnade Road, Nepean, ON, K2E 7J5, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, (2) by delivering the revocation prior to voting to the chairman of the meeting on the day of the meeting, or any adjournment thereof, or (3) in any other manner permitted by law. **If a shareholder appoints some**

**person other than the officers named in the form of proxy to represent him, such person will vote the shares in respect of which he is appointed proxy holder in accordance with the direction of the shareholder appointing him. In the absence of such direction, such person may vote such shares at his discretion. It is the responsibility of the shareholder appointing some other person to represent him to inform such person that he has been so appointed.**

## **VOTING SHARES AND RECORD DATE**

As at the date of this circular there were issued and outstanding 747,809 common shares, 5,780,770 Preferred Shares, Series A, 7,495,442 Preferred Shares, Series B and 4,002,650 Class A Special Shares, the holders of which are entitled to one vote for each share held, collectively, defined as the "shares".

The board of directors has fixed the close of business on May 20, 2001 as the record date for the purpose of determining shareholders entitled to receive notice of the meeting but the failure of any shareholder to receive a notice of a meeting of shareholders does not deprive the shareholder of a vote at the meeting. If a person has acquired shares after the record date, that person is entitled to vote those shares at the meeting upon producing properly endorsed share certificates, or otherwise establishing share ownership, and demanding the inclusion of his name in the list of shareholders not later than ten days before the date of the meeting.

## **PRINCIPAL SHAREHOLDERS**

The following table sets forth information regarding the beneficial ownership of the common shares and preferred shares as of the date hereof, with respect to each person who, as of such date, is known to the directors or officers of the Corporation to be the beneficial owner of or exercise control or direction over more than 10% of any class of the Corporation's voting shares.

Name of Beneficial Owner	Common Shares	Preferred Shares, Series A	Preferred Shares, Series B	Class A Special Preferred Shares	Total	Percentage of Voting Shares
Nortel Networks Corporation	100,000	5,780,770	-	-	5,880,770	33.9%
SOFINOV, Société Financière D'Innovation Inc.	-	-	2,403,846	720,000	3,123,846	18.0%
CBC Pension Board of Trustees	-	-	1,924,000	576,798	2,500,798	14.4%

## **ELECTION OF DIRECTORS**

The Corporation's unanimous shareholders agreement dated as of February 28, 2000 provides that the Board shall consist of seven (7) persons who are qualified to act as directors of the Corporation under the *Canada Business Corporations Act*, two (2) of whom shall be nominated by Nortel, for so long as Nortel holds at least twenty percent (20%) of the shares (or one (1) of whom shall be nominated by Nortel, for so long as Nortel holds at least ten percent (10%) of the shares), one (1) of whom shall be the then current Chief Executive Officer of the Corporation, one (1) of whom shall be nominated by CBC Pension Fund, for so long as CBC Pension Fund holds at least ten percent (10%) of the shares, one (1) of whom

shall be nominated by Sofinov for so long as Sofinov holds at least ten percent (10%) of the shares, one (1) of whom shall be nominated by Upstart Capital for so long as the Class A Special Shares represent at least ten percent (10%) of the total outstanding shares, and one (1) of whom shall be an independent outside director to be nominated by mutual agreement of the other six (6) directors. The shareholders agreement further provides that all shareholders shall vote their shares or sign resolutions in writing to elect such nominees and give effect to the foregoing.

The Corporation is in the process of amending its unanimous shareholders agreement to provide that (i) Nortel is entitled to one (1) board seat for so long as it holds more than 10% of the shares, (ii) two (2) director nominees shall be independent outside directors to be nominated by the mutual agreement of the other five (5) directors, and (iii) it is not necessary for the Nortel director to be present for a quorum. In order to be effective these amendments need to be acknowledged in writing by shareholders holding at least 90% of the Corporation's shares.

There are currently five (5) directors. The directors have determined that the number of directors shall be five (5) as such directors have not yet determined a mutually acceptable independent outside director and a permanent full time Chief Executive Officer to occupy the sixth and seventh board seats. The following are the names of the persons for whom it is intended that votes will be cast for their election as directors of the Corporation pursuant to the proxy which is hereby solicited unless the shareholder directs therein that his shares be withheld from voting in the election of directors:

Debra Alves, CBC Pension Fund nominee  
John Doolittle, Nortel Networks Corporation nominee  
Robert Horne, CCC Associates  
Deepak Moorjani, Upstart Capital L.P. nominee  
Jacques Perreault, Sofinov, Société Financière D'Innovation Inc. nominee

The term of office for each such person will be until the next annual meeting or until his or her successor is elected or appointed. In the event that prior to the meeting any vacancies occur in the slate of nominees submitted above, it is intended that discretionary authority shall be exercised to vote the proxy hereby solicited (unless otherwise directed as aforesaid) for the election of any other person or persons as directors. The management is not now aware that any of such nominees would be unwilling to serve as a director if elected.

The following table sets forth the name of each person proposed at the date hereof to be nominated by management for election as a director, his or her principal occupation or employment, all other positions with the Corporation and any significant affiliate thereof now held by him or her, if any, the date on which he or she first became a director of the Corporation and the number of shares owned directly or indirectly or over which control or discretion is exercised by him or her.

Name and Present Principal Occupation	Became a Director	Number of Voting Shares Held
Debra Alves <sup>(5)(6)</sup> Portfolio Manager, CBC Pension Fund	1999	2,500,798 <sup>(1)</sup>
John Doolittle <sup>(5)</sup> Vice President & Assistant Treasurer, Nortel Networks Limited	2001	5,880,770 <sup>(2)</sup>
Robert Horne <sup>(6)</sup> President, CCC Associates	1999	10,000
Deepak Moorjani <sup>(6)</sup> Partner, Upstart Capital L.P.	2000	800,000 <sup>(3)</sup>
Jacques Perreault <sup>(5)(6)</sup> Director, Sofinov, Société Financière D'Innovation Inc.	1999	3,123,846 <sup>(4)</sup>

<sup>(1)</sup> All shares are beneficially held by CBC Pension Board of Trustees.

<sup>(2)</sup> Represents 5,880,770 shares beneficially held by Nortel Networks Corporation.

<sup>(3)</sup> All shares are beneficially held by Upstart Capital L.P.

<sup>(4)</sup> All shares are beneficially held by Société Financière D'Innovation Inc.

<sup>(5)</sup> Member of the Audit Committee.

<sup>(6)</sup> Member of the Compensation Committee.

The above-mentioned persons have held the principal occupations set opposite their names or other management functions within their respective organizations for the last five years except for the following:

Ms. Alves held a variety of treasury and pension fund positions, from 1988 until February 1997, including Manager, Pension Fund at the Canada Mortgage and Housing Corporation.

Mr. Doolittle returned to Nortel in September 1999 after having spent two years as Vice President, Finance with Bank of Montreal's Global Treasury Group. Prior to joining the Bank, John spent eight years at Nortel with roles in Tax, Mergers & Acquisitions, Financial Planning & Analysis and two years in Europe managing Treasury for Europe and Asia. John is a member of the Ontario Institute of Chartered Accountants.

Mr. Horne is on the Board of Directors of CoLocation Technologies Inc, a supplier of wireless infrastructure systems. He is also on the Board of Advisors to Monarch Capital, Red Hot Technology Accelerator and several small high tech companies. He is on the Southeast Council of the American Electronics Association, and is a Founding Member of the Georgia Technology Leadership Coalition. From 1995-99, Mr. Horne was a Vice President for Nortel Networks. His most recent position was

General Manager, Vertical Market Solutions, focusing on the Finance, Healthcare, Retail, Hospitality, and Education markets. In this role, Mr. Horne was responsible for developing and marketing world-class business solutions, with an emphasis on e-commerce. Mr. Horne also had responsibility for a number of small business start-ups, and managed their internal venture fund. He was on the Board of Ceon Corporation, a Silicon Valley, venture capital backed, telecommunications software company, where Nortel has an equity position, and was involved in the creation of CenCom V, a venture capital backed business incubator in Silicon Valley. Mr. Horne received an undergraduate degree in Chemistry and a master's degree in Chemical Engineering, both from Cambridge University, England, and an MBA from Harvard Business School.

Deepak Moorjani is a general partner with Upstart Capital, an early-stage Silicon Valley venture firm focused on Internet-enabling technologies and services. He is currently an investor and director of Netactive, Vocaloca and Zmarket and is also an investor in OpenTable, San Valley and Coactive Networks. Previous investments include Entrust Technologies (NASDAQ: ENTU) and LikeMinds (sold to Macromedia). Previously, Mr. Moorjani was with The Lodestar Group, a buyout firm and boutique investment bank formed in 1988 by senior executives of Morgan Stanley and Merrill Lynch. He is a graduate of Duke University with an AB in economics and philosophy.

Mr. Perreault was an analyst from 1995 to 1997 for GTI Capital Inc. in financing new technologies, including electronics and software companies. From 1994 to 1995, Mr. Perreault was an analyst for Biron, Lapierre et Associés.

## STATEMENT OF EXECUTIVE REMUNERATION

### Summary Compensation Table

The following table, presented in accordance with the regulations to the *Securities Act* (Ontario), sets forth all compensation earned in respect of the individuals who were, at December 31, 2000, the Chief Executive Officer and the other three most highly compensated executive officers of the Corporation (the "named executive officers") who earned more than \$100,000 during the fiscal year.

**SUMMARY COMPENSATION TABLE**  
(All figures rounded to the nearest dollar)

Name and Principal Position at December 31, 2000	Fiscal Year	Annual Compensation			Long-Term Compensation Awards	
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(1)</sup>	Securities Under Options Granted <sup>(2)</sup>	All Other Compensation (\$)
Jeff Dodge, President and CEO	2000	\$175,000	\$110,250	\$9,000	0	-
	1999	\$110,706 <sup>(3)</sup>	\$72,625	-	400,000	-
Eugidio Nascimento, CFO	2000	\$150,000	\$42,975	\$9,000	60,000	-
	1999	\$82,404 <sup>(4)</sup>	\$34,225	-	105,000	-
Peter Conn, VP Technology	2000	\$140,000	\$37,500	-	0	-
	1999	\$95,909 <sup>(5)</sup>	\$27,500	-	105,000	-
James Thielen, President and CEO (interim), Executive VP and COO <sup>(6)</sup>	2000	\$170,000	\$30,000	-	150,000	-
	-	-	-	-	-	-

Notes:

- (1) Perquisites and other personal benefits do not exceed the lesser of \$50,000 and 10% of the total of the annual salary and bonus of the noted executive officer in fiscal 1999.
- (2) Reflects the award of options to the named executive officer during the fiscal year.
- (3) Includes \$36,667, which was paid to Mr. Dodge for the period from March 1, 1999 to June 30, 1999, while Mr. Dodge was employed by Nortel Networks, for which NetActive reimbursed Nortel Networks.
- (4) Includes \$26,250, which was paid to Mr. Nascimento for the period from March 1, 1999 to April 30, 1999, while Mr. Nascimento was under contract with Nortel Networks, for which NetActive reimbursed Nortel Networks.
- (5) Includes \$35,333, which was paid to Mr. Conn for the period from March 1, 1999 to June 30, 1999, while Mr. Conn was employed by Nortel Networks, for which NetActive reimbursed Nortel Networks.
- (6) Mr. Thielen assumed the position of interim President and CEO in December 2000 after Mr. Dodge's departure from the Company. See "Employment Contracts" below.

### Employment Contracts

The Company's management changed significantly at or around the end of fiscal year 2000, and the Company significantly reduced staff and restructured operations in the fourth quarter of fiscal year 2000. Messrs. Dodge and Conn are no longer with the Company. Mr. Nascimento resigned from the company prior to the restructuring activity. The Company was a party to employment agreements with each of Jeff Dodge (the "Dodge Agreement"), Eugidio Nascimento (the "Nascimento Agreement") and Peter Conn (the "Conn Agreement"), which are summarized below. The Company is also a party to an employment agreement with Mr. Thielen, which is summarized below.

Pursuant to the Dodge Agreement, Mr. Dodge's compensation consisted of a base salary of \$175,000 per year. In addition, Mr. Dodge received a bonus consisting of (i) \$110,250 upon achieving certain milestones in 2000. Additional annual bonuses were to be determined at the discretion of the Company's board of directors. In the event of Mr. Dodge's termination under certain circumstances, he would be entitled to termination payments equal to one times his annual salary (which is defined as base salary plus a bonus of up to 50% of the base salary) at the time of termination. The Company and Mr. Dodge agreed that his employment with the Company was terminated in December 2000. The Company is continuing to pay his annual salary for a period of one year until December 2001, and is currently negotiating other payments to be made and the treatment of his stock options. Mr. Dodge also agreed not to compete with the Company in North America for a period of 12 months following his termination under any circumstances.

Pursuant to the Nascimento Agreement, Mr. Nascimento's compensation consisted of a base salary of \$150,000 per year. In addition, Mr. Nascimento received options to purchase 60,000 Common Shares and a bonus consisting of (i) \$42,995 upon the achieving certain milestones in 2000. Additional annual bonuses were to be determined at the discretion of the Company's board of directors. Mr. Nascimento's resigned from the Company in December 2000. His stock options have now expired. Mr. Nascimento has agreed not to compete with the Company in North America for a period of 12 months following his termination under any circumstances.

Pursuant to the Conn Agreement, Mr. Conn's compensation consisted of a base salary of \$140,000 per year. In addition, Mr. Conn received a bonus of \$37,500 upon the Company achieving certain milestones in 2000. Additional annual bonuses were to be determined at the discretion of the Company's board of directors. In the event of Mr. Conn's termination under certain circumstances, he would be entitled to termination payments equal to one times his annual salary (which is defined as base salary plus a bonus of up to 25% of the base salary) at the time of termination. In the event of Mr. Conn's termination under certain circumstances, any previously granted unvested and unexercised stock options held by Mr. Conn, which would have otherwise become vested and exercisable during the 12 months following the termination, will immediately vest and become exercisable. Mr. Conn's employment was terminated in December 2000 in accordance with the terms of Conn Agreement. Mr. Conn has agreed not to compete with the Company in North America for a period of 12 months following his termination under any circumstances.

Pursuant to the Thielen Agreement, Mr. Thielen's compensation consisted of a base salary of \$170,000 per year. In addition, Mr. Thielen received options to purchase 150,000 Common Shares and a bonus consisting of \$30,000 upon achieving certain milestones in 2000. In the event of Mr. Thielen's termination under certain circumstances, he would be entitled to termination payments equal to one-half times his annual salary (which is defined as base salary plus a bonus of up to 50% of the base salary) and reimbursement of expenses associated with relocating back to the United States pursuant to the terms of the Thielen agreement. In the event of Mr. Thielen's termination under certain circumstances, any unvested and unexercised stock options held by Mr. Thielen would immediately vest and become exercisable. Mr. Thielen also agreed not to compete with the Company in North America for a period of 12 months following his termination under any circumstances.

## Stock Options

On June 30, 1999, the Corporation established an Employee and Director Stock Option Plan (the "Plan") for the benefit of directors and full time employees of the Corporation. Subject to the requirements of the Plan, the Compensation Committee or in lieu thereof, the board of directors has the authority to select those directors and employees to whom options will be granted, the number of options to be granted to each director and employee and the price at which common shares may be purchased. The exercise price for purchasing common shares under the Plan cannot be less than the fair market value of such shares as determined by the board of directors. The maximum number of common shares issuable in connection with the exercise of options granted pursuant to the Plan is (need to update this number) 2,453,200. The following restrictions also apply to the Plan as well as all other plans or stock option agreements to which the Corporation may be a party:

- (i) the aggregate number of common shares reserved for issuance pursuant to options granted to insiders of the Corporation, as that term is defined by the *Securities Act* (Ontario), shall not exceed 10% of the total issued and outstanding common shares;
- (ii) insiders of the Corporation, shall not be issued, within any one year period, a number of common shares which exceeds 10% of the total issued and outstanding common shares;
- (iii) no participant together with such participant's associates, as such terms are defined by the *Securities Act* (Ontario), shall be issued, within any one year period, a number of common shares which exceeds 5% of the total issued and outstanding common shares; and
- (iv) the number of common shares reserved for issuance pursuant to options to any one participant shall not exceed 5% of the total issued and outstanding common shares.

As of December 31, 2000 there were outstanding options granted pursuant to the Plan for an aggregate of 1,562,057 common shares at prices ranging from \$0.2808 to \$1.71 per share, expiring at various dates over the next four years. Of such options, an aggregate of 820,000 options to purchase common shares were held by the named executive officers of the Corporation.

The following table sets forth each grant of stock options under the Plan during the fiscal year ended December 31, 2000 to the named executive officers.

**OPTION GRANTS DURING THE FISCAL YEAR ENDED DECEMBER 31, 2000**

Name and Position	Securities Under Options Granted <sup>(1)</sup> (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security) <sup>(2)</sup>	Expiration Date
Jeff Dodge, President and CEO	0	-	-	-	-
Eugidio Nascimento, CFO	15,000 45,000	9%	\$0.95 \$1.71	\$14,250 \$76,950	February 2004 March 2004
Peter Conn, VP Technology	0	-	-	-	-
James Thielen President and CEO (interim), Executive VP and COO	150,000	23%	\$1.71	\$256,500	January 2003

(1) Granted pursuant to the Plan.

(2) Market value is based on the most recent grant price as established by the board of directors pursuant to the Plan. There is presently no market for these securities.

The following table sets forth each exercise of stock options under the Plan during the fiscal year ended December 31, 2000 to the named executive officers.

**AGGREGATED OPTION EXERCISES DURING THE FISCAL YEAR ENDED DECEMBER 31, 2000 AND FISCAL YEAR-END OPTION VALUES**

Name and Position	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$) By Option Holder	Unexercised Options at December 31, 2000 Exercisable / Unexercisable (#/#)	Value of Unexercised in-the-Money Options at December 31, 2000 Exercisable / Unexercisable (\$/\$) <sup>(1)</sup>
Jeff Dodge President & CEO	-	-	87,494 / 312,506	\$125,029 / \$299,871
Eugidio Nascimento CFO	-	-	31,872 / 133,128	\$38,210 / \$93,895
Peter Conn VP Technology	-	-	105,000 / 0	\$120,705 / \$0
James Thielen President and CEO (interim), Executive VP and COO	-	-	0 / 150,000	- / -

(1) Market value is based on the most recent grant price of \$1.71 as established by the board of directors pursuant to the Plan. There is presently no market for these securities.

## **Compensation Committee**

During the fiscal year ended December 31, 2000, the Compensation Committee determined executive compensation for the Corporation. During the fiscal year ended December 31, 2000, the Compensation Committee of the Corporation consisted of the following individuals:

Debra Alves, CBC Pension Fund  
Robert Horne, CCC Associates  
Jacques Perreault, Sofinov, (Société Financière D'Innovation Inc.)

## **Report on Executive Compensation**

All employees of the Corporation receive compensation based on the market value of the type of job they perform, internal pay equity, and their level of individual performance. The pay for performance philosophy adopted by the board of directors is specifically emphasized in the executive compensation program, in order to maintain the position of the Corporation in a highly competitive business environment.

An executive compensation package may consist of several components: a base salary, an incentive component, stock options and/or other compensation as approved by the Compensation Committee. The overall program is designed to attract and retain competent, committed individuals, who will ensure the long-term success of the Corporation.

Base salaries are competitive in the industry and are determined on the basis of outside market data as well as individual performance and experience level. Incentive targets are keyed to pre-set business targets, both at corporate and at division or department levels. Actual incentive payments are calculated through comparing actual business results to those pre-set targets.

Improving the return to shareholders is a paramount objective for the Corporation and all its executives. It is anticipated that in the future, executives will participate in the Employee Stock Option Plan. Striking a proper balance between short and long-term incentives is critical to the long-term health of the Corporation and to sustaining growth in share value.

## **COMPENSATION AND REMUNERATION OF DIRECTORS**

In fiscal 2000, other than the Chairman who was granted 25,000 stock options, directors were not entitled to fees but were reimbursed for expenses incurred in attending meetings. Directors are eligible for options as declared annually by the Compensation Committee or in lieu thereof, the board of directors, pursuant to the Plan.

## **DIRECTORS AND OFFICERS LIABILITY INSURANCE**

The Corporation maintains directors' and officers' liability insurance in the aggregate principal amount of \$3,000,000. The premium paid for such insurance during the year was \$11,900. The by-laws of the Corporation generally provide that the Corporation shall indemnify a director or officer of the Corporation against liability incurred in such capacity to the extent permitted or required by the *Canada Business Corporations Act*. To the extent the Corporation is required to indemnify the directors or officers pursuant to the by-laws, the insurance policy provides that the Corporation is liable for the initial \$25,000 in the aggregate for each loss with respect to the insuring agreement.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

As of December 31, 2000, there is no indebtedness to the Company by any director or officer or associates, of any such person, other than amounts owing for purchases subject to usual trade terms, for ordinary travel and expense advances and for other transactions in the ordinary course of business.

## **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

Except as described below, no director, officer, nominee director, 5% holder of the Company's shares, or immediate family member, associate or affiliate thereof, had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed fiscal or has any material interest, direct or indirect, in any proposed transaction which has or will materially affect the Company. In April 2001, the Company completed a secured convertible debenture offering that raised US\$1,650,000. The debentures were described and offered to all shareholders in accordance with the Company's unanimous shareholders agreement. Sofinov purchased US\$1,000,000 worth of the debentures. Upstart Capital purchased US\$400,000 worth of the debentures. CBC Pension Fund purchased US\$250,000 worth of the debentures.

## **APPOINTMENT OF AUDITORS**

It is intended to vote the proxy solicited hereby (unless the shareholder directs therein that his shares be withheld from voting in the appointment of auditors) to re-appoint KPMG LLP, as auditors of the Corporation to hold office until the next annual meeting of shareholders and to authorize the directors to fix the auditors' remuneration.

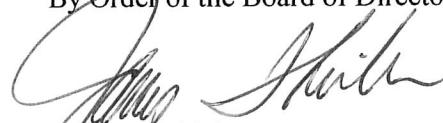
## **PARTICULARS OF OTHER MATTERS**

Management knows of no other matters to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted upon such matters in accordance with the best judgement of the person voting the proxy.

## **DIRECTORS' APPROVAL**

The contents of this Management Proxy Circular and the sending thereof to the shareholders of the Corporation have been approved by the board of directors of the Corporation.

Ottawa, Ontario, May 16, 2001  
By Order of the Board of Directors



James P. Thielen  
President and Chief Executive Officer (interim)  
Chief Operating Officer, Executive Vice President